

A photograph of three men walking on a dirt path in an industrial setting, likely a power plant. They are wearing safety gear: helmets and jackets. The man on the left is wearing a blue jacket with the Terna logo. The man in the middle is wearing a blue jacket. The man on the right is wearing a black jacket with the Terna logo and a white helmet. They are all smiling and looking towards the right. In the background, there are large metal structures, possibly power lines or towers, under a clear sky.

Terna's **human capital** is vital to enabling the current energy transition. Alongside its constant long-term commitment to the issues of **safety** and **accident prevention**, Terna has launched an intensive innovation programme designed to boost **digital** skills within its workforce, whilst also accelerating the process of **generational turnover** introduced in recent years. This requires the reconstitution of technical expertise through training. Personnel development is based on an extensive programme of performance appraisal. The Group's welfare schemes were added to in 2018 with the launch of the Smart Working project.

55

HOURS OF TRAINING  
PER CAPITA

"ZERO INJURIES"  
TRAINING PROGRAMME

19.7% OF THE GROUP'S  
MANAGERS ARE WOMEN,  
HIGHER THAN THE PROPORTION  
OF WOMEN IN RELATION TO THE  
TOTAL WORKFORCE (13.5%)



5

People

# Terna and its people

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The Company's human resources are, at the same time, a vital element in the business and people whose aspirations should be nurtured and rights respected. Terna's commitment to its staff is characterised by:

- **attention to safety and accident prevention** (see page 160);
- **investment in training** to ensure the development of the Company and its employees (see page 153);
- the creation of management and development systems designed to **improve performance and develop individual skills** (see page 157);
- **remuneration and welfare policies** that aim to align individual performance with business objectives and provide people with financial security (see page 158);
- **listening to employees** by using ways to gauge their opinions (see page 148);
- a complex system of **industrial relations based on engagement with the trade unions** (see page 150).

The Human Resources, Organisation and General Affairs department is responsible for defining and implementing staff policies, including aspects relating to occupational health and safety.

## Overview of workforce

The Group employs a total of 4,252 people (up 355 compared with 2017). This figure includes 355 Tamini Group personnel, 38 people employed under local contracts by overseas subsidiaries (17 in Brazil, 9 in Montenegro, 5 in Peru and 7 in Uruguay) and 16 people employed by Avvenia, a company acquired in 2018 (see page 27).

The tables below present Group data on a like-for-like basis compared with 2017, and therefore excluding the Tamini Group, recently acquired companies (Avvenia) and the overseas subsidiaries. The tables show a total of 3,843 personnel (up 9.5% on 2017).

### COMPOSITION OF THE WORKFORCE

	2018	2017	2016	
<b>Total</b>	<b>3,843</b>	<b>3,508</b>	<b>3,468</b>	< 401-1
<i>By category</i>				< 405-1
Senior managers	57	61	64	
Middle managers	614	550	549	
Office staff	2,124	1,873	1,830	
Blue-collar workers	1,048	1,024	1,025	
<i>By type of contract</i>				
- permanent <sup>(1)</sup>	3,842	3,508	3,466	
- of whom men	3,325	3,076	3,061	
- of whom women	517	432	405	
- fixed-term	1	0	2	
- of whom men	1	0	1	
- of whom women	0	0	1	
<i>By type of employment</i>				
- full-time	3,822	3,478	3,440	
- of whom men	3,320	3,065	3,056	
- of whom women	502	413	384	
- part-time	21	30	28	
- of whom men	6	11	6	
- of whom women	15	19	22	
<i>By age</i>				
- below the age of 30	885	706	622	
- between the ages of 30 and 50	1,681	1,553	1,539	
- over the age of 50	1,277	1,249	1,307	
<i>Average age (years)</i>				
<b>Average age</b>	<b>41.8</b>	<b>42.6</b>	<b>43.5</b>	

(\*) Permanent contracts also include apprenticeships.

The total turnover rate (12.0%) reflects the effect of the policy of generational turnover launched in 2017 and the new initiatives included in the Strategic Plan for the period 2018-2022.

420 people joined the Group in 2018, including 284 people under the age of 30. The process of generational turnover has resulted in a gradual reduction in the average age and a constant increase in the level of education among the Group's workforce. In 2018, 94.5% of employees had a university degree or a high-school diploma. The average length of service is 15.3 years.

The turnover rate for staff leaving the Group is 2.4% and is linked primarily to retirements and, to a lesser extent, to voluntary resignations (34 in 2018).

As at 31 December 2018, there were 13 active agency contracts (51 in 2017 and 54 in 2016).

## WORKFORCE TRENDS

401-1 >	2018	2017	2016
<b>Total employees</b>	<b>3,843</b>	<b>3,508</b>	<b>3,468</b>
<b>Employees recruited during the year</b>	<b>420</b>	<b>243</b>	<b>186</b>
- men	326	202	166
- women	94	41	20
- below the age of 30	284	168	125
- between the ages of 30 and 50	130	64	60
- over the age of 50	6	11	1
<i>Rate of recruitment (1)</i>			
<b>Total</b>	<b>12.0</b>	<b>7.0</b>	<b>5.6</b>
- men	9.3	5.8	5.0
- women	2.7	1.2	0.6
- below the age of 30	8.1	4.8	3.8
- between the ages of 30 and 50	3.7	1.8	1.8
- over the age of 50	0.2	0.3	0.0
<b>Employees leaving during the year</b>	<b>85</b>	<b>203</b>	<b>51</b>
- men	76	187	45
- women	9	16	6
- below the age of 30	16	6	11
- between the ages of 30 and 50	16	14	11
- over the age of 50	53	183	29
<i>Turnover rate (2)</i>			
<b>Total</b>	<b>2.4</b>	<b>5.9</b>	<b>1.5</b>
- men	2.2	5.4	1.4
- women	0.3	0.5	0.2
- below the age of 30	0.5	0.2	0.3
- between the ages of 30 and 50	0.5	0.4	0.3
- over the age of 50	1.5	5.3	0.9

(\*) The rate of recruitment shows the ratio of employees joining the Company to the number of employees at 31 December of the previous year.

(\*\*) The turnover rate shows the ratio of employees leaving the Company to the number of employees at 31 December of the previous year.

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## Generational turnover

Terna dedicates a host of initiatives to generational turnover which, since 2015, have been stepped up considerably due to a voluntary early retirement scheme.

The most important initiatives include the transmission of knowledge and experience, often one-of-a-kind, via internal tutoring as part of training programmes and on-the-job experience.

The table below provides an overview of staff who could potentially qualify for retirement in the next 5 to 10 years (the figures have been estimated on the basis of the available data regarding ages and pension contribution records):

a. <b>8.56%</b> of the workforce as at 31 December 2018 in the next 5 years, of which:		b. <b>16.55%</b> of the workforce as at 31 December 2018 in the next 10 years, of which:	
• Senior managers	0.03%	• Senior managers	0.31%
• Middle managers	1.35%	• Middle managers	3.75%
• Office staff	4.35%	• Office staff	8.17%
• Blue-collar workers	2.84%	• Blue-collar workers	4.32%

#### IMPACT OF GENERATIONAL TURNOVER IN THE PERIOD 2014-2018 (\*)

INDICATOR	UNIT	2018	2014
Average age	y	41.8	46.6
Average length of service	y	15.3	21.2
Percentage composition by age: >50	%	33.2	45.3

(\*) The period in question starts from 2014. The first generational turnover plan, involving the recruitment of 300 young people, took place in 2015 (see the 2015 Sustainability Report, page 126).

## Focus

### STAFF TURNOVER: COMPARATIVE DATA

By staff turnover, Terna means the ratio of employees leaving the Company during the year to the number of employees at 31 December of the previous year.

As the staff turnover rate is an indirect indicator of the corporate climate that affects all sectors, data for transmission companies (the TSO group) and large Italian listed companies (FTSE-MIB) were examined, as well as data for electric utilities included in the World Index of the Dow Jones Sustainability Index.

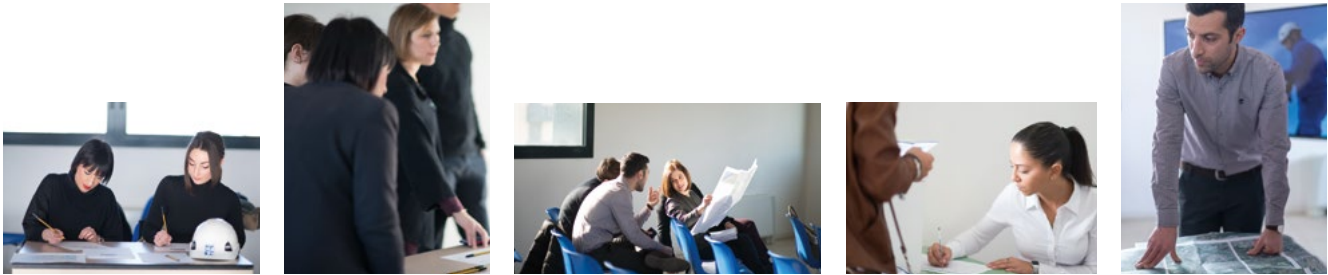
In 2018, Terna registered a turnover rate of 2.4%. In 2017, the last year for which comparative data are available, Terna's turnover rate stood at 5.9%, reflecting the generational turnover plan. Examination of the average rates recorded by the peer groups reveals that Terna's turnover rate, in 2017, was broadly in line with the average for the TSO group and below the average for companies in the FTSE-MIB and the Dow Jones Sustainability Index.



**2.4%**  
TURNOVER RATE  
IN 2018

TURNOVER RATE (%) - 2017	TSOS	FTSE-MIB	DJSI- ELECTRIC UTILITIES
Available data	19	34	8
Min.	1.3	2.4	3.7
Average	5.4	11.5	7.1
Max.	18.6	38.8	10.1
<b>Terna</b>		<b>5.9</b>	

 Further details on how the benchmarking of staff turnover is conducted may be found in the "Sustainability" section of the Company's website.



## Employee engagement

As engagement tools, we use direct or sample surveys, internal communication initiatives and focus groups on specific topics.

In 2017, the Company conducted the 2017 Engagement Survey, an internal climate survey involving the entire workforce. The response rate was 80%.

Overall, Terna's engagement score (81%) is broadly in line with the average across other companies in Italy who use this form of survey.

Once the survey results had been shared (through a series of internal communication initiatives focusing on the key data and subsequent working groups around the country), a specific action plan focusing on five priority areas was drawn up:

- staff development;
- inter-departmental cooperation and between central and local units;
- role of managers;
- internal communication.

The plan was communicated to everyone in the Company via the intranet.

## Internal communication

Internal communication can make a major contribution to fostering a sense of unity, belonging and pride among the workforce, essential in enabling an organisation to respond to challenges and achieve its goals.

It has a vital role to play in spreading the Company's corporate culture and in its development, encouraging team work and achieving ever greater integration between central and local units and among the various teams via the comprehensive sharing of information and key messages. The main tools are the intranet, communication plans and events organised around the country.

With the aim of sharing and cementing Terna's unique, distinctive and enduring values, in December 2018, the Company launched its first Identity and Values campaign.

## PUBLICATIONS

Type	Circulation / no. of news items
"Internamente" (company intranet) / headline news	68 news items published.
"Internamente" (company intranet) / other news	321 news items published.
"Internamente" (company intranet) / videos	54 videos published
Identity and Values campaign	Videos and displays within the main offices
Communication plans	Terna Welfare, Terna Smart Working, Terna Plastic Free, People4Performance, etc.
Office displays (panels, leaflets)	Strategic "Grids and Values" plan, Terna Welfare, Values, etc.



## EVENTS

Type	Target
The Terna Achievement Award (Premio Terna al Valore)	Colleagues who have distinguished themselves for their courage, commitment, competence and sense of responsibility.
Open2Family Culture - Evening cultural events	Colleagues and their families.
Open2Family Games - Day-long events focusing on sports, games and entertainment	Colleagues and their families.
End-of-year greetings from senior and middle management	All members of staff connected via streaming on the intranet.





## Industrial relations<sup>45</sup>

This stakeholder category also includes representatives of employees' interests. All Terna's employees are covered by the collective labour agreement adopted by companies in the electricity sector<sup>46</sup>.

In 2018, the unionisation rate of Terna's workforce was 46%, with membership concentrated among the largest trade unions.

Relations between Terna and the trade unions are regulated, at Group level, by the "Industrial relations system protocol", which sets out the terms of bargaining, dialogue, consultation and prior and/or periodic reporting. In line with current regulations, relations between the trade unions and the entire Group's workforce are facilitated via provision of dedicated space and noticeboards at each workplace.

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The involvement of trade union organisations in the event of organisational changes, which is one of the central pillars of industrial relations, is governed by legislation, industry contracts and company agreements. In accordance with trade union agreements in force at Terna, in the event of significant organisational changes, preliminary discussions are held with the trade unions.

In the three-year period 2016-2018, negotiations with the trade unions led to the signature of 50 statements of agreement.

Finally, in the second half of 2018, Terna and the unions set up a Bilateral "Health, Safety and Environment" Committee, establishing its duties and terms of reference, with the aim of boosting dialogue, discussion and participation in these areas. The Committee held its first meeting in December.

## Regulation of industrial action in the electricity service sector

In the event of industrial action, the essential services needed to guarantee continuity of service are regulated by the National Labour Union Agreement signed in February 2013. As far as Terna is concerned, some shift workers who work in dispatching (real-time monitoring of the national electricity system; the remote operation of transmission plant; checks on production plans and the procurement of production resources; the monitoring, coordination and operation of IT systems; ancillary services and plant used in dispatching) and staff from the Security Operations Centre are prohibited from taking part in industrial action.

Staff on call, whilst entitled to suspend their normal duties during a strike, are obliged to ensure that they are contactable, even during the hours scheduled for the strike.

<sup>45</sup> The data reported in this section does not include Tamini Trasformatori S.r.l. or Avvenia.

<sup>46</sup> Tamini Group employees are covered by the collective labour agreement for the engineering sector, Avvenia's employees by the collective labour agreement for trading companies.



# HR process

## Recruitment and selection

The staff recruited on the external labour market are university graduates - especially engineers - and graduates from technical colleges, most of whom have specialised in electrical engineering. Once hired, new recruits acquire the specific knowledge and skills they need via dedicated training courses.

2018 witnessed an increase in the recruitment of the specialists and middle managers needed to acquire new expertise and skills.

The Human Resources, Organisation and General Affairs department manages relations with schools, universities and job centres in order to support the process of recruiting new staff and to sustain a virtuous exchange process between the Company and the outside world. To this end, 13 events were organised at technical colleges in order to present the Company and begin the process of recruiting college graduates. In terms of relations with the academic world in 2018, Terna took part in 17 Career Days, signed 17 sponsorship and partnership agreements with accredited universities and business schools, entered into over 40 other agreements and recruited 29 apprentices and interns.

Trasmettere il Sapere  
("Transmitting knowledge",  
Terna's work experience  
scheme)

The second edition of *Trasmettere il Sapere*, Terna's work experience scheme, took place. The scheme involved 13 vocational training institutes from all over Italy and approximately 600 4th and 5th year students. In the last quarter of 2018, planning began for the third edition, which will feature a more active format (project work, digital contests, tutoring) and will involve 15 vocational training institutes and approximately 750 4<sup>th</sup> and 5<sup>th</sup> year students.

In line with the business drivers in the Strategic Plan, which includes people and their digital skills and innovation among the enablers of the current energy transition, Terna has experimented with the following innovative methods of recruitment and selection.

Innovative selection formats

In line with the aim of assessing digital skills and innovation potential, Terna organised a recruitment day at the Teatro Eliseo, a theatre in Rome, involving 100 Engineering and Economics graduates. This led to the hire of 18 new personnel. The same approach was used in the "Talent selections" conducted as part of the NEXT ENERGY 3 programme, which saw 100 of the best candidates compete for 10 internships with Terna. The two events, hosted by Luiss Enlabs in Milan and Rome, took the form of a series of digital and interactive tests for individuals and groups and networking sessions and chats with personnel from Terna.

A number of international partnerships focusing on innovation become fully operational in 2018. These involve the participation of Terna's personnel in overseas projects and Training and Exchange programmes:

As part of the five-year partnership entered into by Terna with Stanford University, the first Terna Visiting Scholar was selected through an internal job post. The winner of the competition will attend university courses at Stanford for 6 months from February 2019 and will contribute to a research project sponsored by Terna, focused on studying the adoption of a nodal market model in Italy.

The first Training and Exchange of Personnel initiative, run in partnership with RTE, took place with four members of staff working on the cable used for the Italy-France interconnector - two from Terna and two from RTE - hosted by the partners for a period of four weeks (November 2018).

#### International partnerships

## Training

Training is continuously provided at Terna throughout employees' working lives. The aim is to create value for people by increasing and diversifying their skills (employability), and to create value for the Company by developing human capital in line with its mission and business strategy. The Grid Experience Campus is the name that brings together all the different kinds of training, which is provided in accordance with a training model based on the transfer of specialist know-how by the most experienced staff (faculty) and on external contributions (universities and business schools), in order to guarantee a variety of incentives.

The **"Terna 4.0 Go Digital"** project was launched in 2018, with aim of strengthening digital aptitudes and an innovation-oriented mindset. The content of this programme is described below:

The project breaks down into 2 PHASES, as follows:

- PHASE 1: an online digital assessment to be conducted by all employees, with the aim of mapping digital aptitudes and approaches to innovation. Following the questionnaire, which was completed by 80% of staff, the next steps were (i) classroom workshops and (ii) individual interviews with the various target populations based on the level of "digital aptitude". At the end of this first phase, 16 training pills on digital themes were made available to all the workforce and an initiative was launched with the aim of developing awareness of issues relating to the digital transformation, targeted at around 400 people;
- PHASE 2: launched in early 2019, this consists of the creation of a Digital Academy and a two-year training programme to provide population clusters with high-level digital skills and mindset with the methods and competencies necessary to play a leading role in the Digital Transformation process.

#### Terna 4.0 Go Digital

Terna ran a series of training initiatives in 2018 with the goal of consolidating its distinctive technical expertise. One of these was the multi-year Multi-skill programme.

**Multi-year Multi-skill training programme**

The programme aims to develop operational roles with multi-skill expertise in power lines and substations. It consists of two courses, each divided into five modules focusing on theory and practice (classroom and hands-on training) and a structured on-the-job module overseen by the technical team coordinator. Trainees will sit two exams during the course, one intermediate to enable them to progress to the on-the-job module and one final exam to see if they have reached the required level.

349 staff participated in the programme in 2018, including 262 that completed the course by 31 December 2018. The remaining 87 staff are due to complete the course in 2019.

A total 10,380 hours of classroom and hands-on training, including a safety component, and approximately 47,000 hours of on-the-job training were provided.

As part of the “Onboarding Terna” project, the first 9 editions of the **“Noi siamo On Board-facciamo rete per crescere insieme”** course was run at the end of 2018. This is a course for employees who have joined the Company since 2015 and aims to build awareness of Terna’s values and develop team-working skills.

**Onboarding Terna**

The “Onboarding Terna” project was launched in the second half of 2018 with the aim of supporting employee engagement, strengthening the sense of belonging and highlighting the range of job prospects offered by the Company.

Two programmes were designed and implemented: the first for approximately 1,000 staff hired in the last 36 months; the second for everyone hired in the following year (high-school and university graduates).

The main initiatives forming part of the Onboarding programme involve training in soft skills, job shadowing and counselling.



**“DEVELOPING COMPETENCIES” TARGET**

KPIs AND TARGETS IN THE STRATEGIC PLAN 2019-2023

KPI	TARGET		
	2019	2020	2021
<b>Digital skills</b>			
Number of people trained in digital skills	450	700*	-
<b>Safety culture training via the “Zero Accidents” project (from 2019)</b>			
Infrastructure unit personnel who have received safety training (%)	50%	80%	100%

(\*) Target brought forward to 2020.

In 2018:

- 203,556 hours of training were provided, of which around 70% led by internal trainers;
- all members of staff attended at least one training course;
- 55 hours of training were provided per capita, in line with the target of 45 hours per capita for the two-year period 2018-2019, which continue to represent an excellent performance compared with the average for Italian blue chips (approximately 30 hours per capita among FTSE-MIB companies).

TRAINING	2018	2017	2016
<b>Average hours of training</b>			
- per employee <sup>(1)</sup>	55	50	61
<i>By category <sup>(2)</sup></i>			
- senior managers	29	17	31
- middle managers	32	36	49
- office staff	59	43	48
- blue-collar workers	64	73	90
<i>By gender <sup>(3)</sup></i>			
- men	53	50	61
- women	47	32	31

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<sup>(1)</sup> Ratio of total hours of training to the average number of employees.

<sup>(2)</sup> Ratio of total hours of training by category to the average number of employees by category.

<sup>(3)</sup> Ratio of total hours of training by gender to the total number of employees during the year (including those working for the Company for less than a year) by gender.

Further information on training indicators is provided in “Key indicator tables” on page 236.

## Focus

### STAFF TRAINING: COMPARATIVE DATA

Comparison of the staff training performance is based on the per capita hours of training provided by companies. As per capita training is not necessarily linked to the size of a company or the sector in which companies operate, data from all the three peer groups (TSOs, electric utilities in the Dow Jones Sustainability Index and FTSE-MIB companies) were examined.


In 2018, Terna provided 55 hours of training for each employee, marking an increase with respect to 2017, when an average of 50 hours of training per employee was provided. This ranks Terna above the average figure for all three peer groups. As further evidence of Terna's commitment to skills development, its above-average performance is confirmed by the average for the five-year period 2013-2017 (49 hours of training per capita each year at Terna, compared with the less than 30 hours provided by the FTSE-MIB group).

It should be noted that the Terna figure does not include on-the-job training.



**55** HOURS  
OF TRAINING FOR  
EACH EMPLOYEE  
IN 2018

HOURS OF TRAINING PER CAPITA - 2017	TSO	FTSE-MIB	DJSI-ELECTRIC UTILITIES
Available data	14	34	8
Min.	17.0	7.0	34.4
Average	48.2	28.6	49.9
Max.	108.0	67.9	108.0
<b>Terna</b>		<b>50</b>	

 Further details on how the benchmarking of staff training is conducted may be found in the “Sustainability” section of the Company's website at [www.terna.it](http://www.terna.it).



## Development

In support of human resources development policies, Terna uses the Professional System as its main tool for managing roles, skills and development paths within the organisation, enhancing competencies and crafts (“professional families”) identified on the basis of core business and corporate processes. As part of human capital development initiatives, work on the design of a new Performance Management System was completed in the first half of 2018. The system is used to define and communicate objectives, outcomes and expected organisational behaviours, as well as to promote a culture of appraisal and feedback as a way for managers to develop and coach members of their teams.

An initial pilot project, “People for Performance”, was launched in the second half of 2018. This involved approximately 600 people, with the aim of gradually extending the project to all the workforce from 2019.

In order to support achievement of its strategic objectives and performance, Terna has introduced variable incentive schemes differentiated by type of role, and taking into account the time frames for achievement of the results on which the remuneration is based. These include:

- A Long-Term Incentive (LTI) plan, linked to long-term corporate objectives, including sustainability, for managers who perform key roles in attainment of the Company’s strategic objectives
- MBO (Management by Objectives) for management, linking the amount of individual bonuses to:
  - the extent to which quantitative objectives are achieved, both at Company and individual level, some of which relate to Terna’s social and environmental commitments (e.g. the occupational safety indicator)
  - the qualitative assessment of performance, based on management behaviours.

The following table shows the percentage of employees who have taken part in the People for Performance appraisal process and in management incentive schemes:

### “APPLICATION OF PERFORMANCE EVALUATION” TARGET

KPIs AND TARGETS IN THE STRATEGIC PLAN 2019-2023

KPI	TARGET					
	2019	2020	2021	2022	2023	2023
Employees taking part in performance appraisals (%)	70%	85%	85%	85%	85%	85%



To boost productivity, Terna has also signed an agreement with the unions regarding a performance-related bonus for blue-collar workers and office staff, which takes into account the Company’s overall performance and specific targets linked to employees’ operational performance.



# Company welfare

Pay and conditions for Terna's staff (remuneration, working hours, holidays and other aspects of employment) are, as in other large companies in the electricity sector, substantially better than the Italian average.

Benefits are provided for all employees, including those on part-time contracts and apprenticeships:

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- supplementary healthcare;
- supplementary pension schemes (voluntary);
- insurance for non-occupational accidents;
- recreational associations;
- maternity leave that goes beyond legal requirements;
- soft loans for first-time homebuyers and to meet needs arising from serious family situations;
- canteen or food vouchers.

Terna's employees (excluding senior managers, who can participate in a different fund) are automatically enrolled into the Supplementary Healthcare Fund for Enel Group Employees (FISDE).

Medical care for illnesses is partly covered by FISDE, for members (enrolled employees) as well as for their dependants.

BENEFICIARIES	INFORMATION AND RISK PREVENTION	TREATMENT
Employees	yes	yes
Employees' dependants	no	yes

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Terna offers its staff defined contribution supplementary pensions on a voluntary basis. Senior managers can join the Fondenel pension fund<sup>47</sup>. Other employees (blue-collar workers, office staff, middle managers) can join the Fopen pension fund<sup>48</sup>.

In addition to pension plans, the employees of Italian companies are also entitled to other defined benefits. In particular, during their working lives, all employees are contractually entitled to receive a "loyalty bonus" on reaching their 25th and 35th year of employment at the Company.

Terna also launched 2 initiatives focusing on company welfare and smart working in 2018.

<sup>47</sup> <http://fondenel.previnet.it>

<sup>48</sup> [www.fondopensioneopen.it](http://www.fondopensioneopen.it)

Following a specific union agreement, the **Terna Welfare** initiative was launched in 2018. The enables the Terna Group's staff to use a part of their performance-linked cash bonus to purchase welfare goods and services or to make supplementary pension contributions. Staff can convert up to the legally permitted limit of €3,000. The converted portion of the bonus is tax-exempt and topped up by 12% by the Company.

#### Terna Welfare

Under the related union agreement, a smart working trial was launched in the second half of 2018. This involved around 100 employees who work at the Company's Rome offices in Viale Galbani and Via Palmiano. In view of the positive outcome of the trial, in February 2019, Terna and the unions signed a further agreement designed to extend smart working to a total of approximately 500 people, involving certain regional offices as well as the Rome sites.

#### Smart Working

## Care for children and other family members

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Italian law regulates maternity leave and parental leave, and provides general coverage. In comparison, Terna offers more favourable conditions, in application of the National Collective Labour Contract for the industry and company agreements. The most important measures include:

- five months' paid parental leave, provided to a mother before and after the birth. Terna guarantees full pay compared with the 80% provided for by law;
- an additional six months of parental leave may be taken on 30% pay. Terna raises this amount to 45% and 40%, respectively, in the first and then in the second and third months of this period. Paternity leave may also be taken, up to a maximum of eleven months of leave based on the period taken by both parents. If not used in the first six years of a child's life, the leave may be taken later up until the age of twelve, but in the form of unpaid leave;
- unpaid leave, with no restrictions on use, in the event of the illness of children under the age of 3;
- three days per month, or two hours a day, of paid leave to look after children or other family members with serious disabilities;
- special leave for two years in the event of a child or other close relation having a serious disability;
- paid leave for working fathers, with up to 5 days paid by the Company as well as 2 days paid by the state (INPS).

Under a specific union agreement signed in 2017, Terna has also introduced additional measures to improve the work-life balance and further support for parenthood, such as, for example, the possibility to take half a day's leave to accompany a child on their first day of primary school (55 employees took advantage of this option in 2018).

The table below shows the number of employees who have taken at least 29 days' parental leave.

	2018	2017	2016
<b>Total</b>	<b>16</b>	<b>26</b>	<b>19</b>
- women	14	25	18
- men	2	1	1

Employees taking parental leave in the three-year period shown subsequently returned to work. There was just one case of an employee who, after taking parental leave between 2016 and 2017, then resigned in 2017.

# Health, safety

## and correct working practices

Working safely, without putting their health at risk, is a fundamental right of employees, and Terna invests a great deal in order to guarantee this right for its people.

A safety culture is present across the Company, so that the supply chain actors who play a decisive role in operations may also be involved in the process of ensuring constant attention and improvement.

This applies more generally to respect for human and workers' rights: the Company undertakes to ensure that such rights are also guaranteed by contractors.

403-1 >

The involvement of employees in matters relating to health and safety and the environment is currently regulated by law and collective bargaining, which provide for the election by all employees of Staff Representatives for Safety and the Environment, who thus represent 100% of the workforce.

403-4 >

The National Collective Labour Contract also provides for the establishment of a bilateral body - at electricity sector level - regarding "Health and safety and the environment", tasked with making proposals relating to the monitoring and coordination of training on environmental and safety issues.

## Protecting employees' safety

Terna's commitment to safety must be seen in the context of existing statutory requirements. Italian safety legislation (Legislative Decree 81/2008 "Consolidated law on the protection of health and safety in the workplace") is one of the most stringent among any such laws in Europe and requires companies to carry out an analytical assessment of the risks to employees' health and safety. At Terna, special attention is paid to analysing the risks deriving from interference caused by works being carried out by contractors and subcontractors, covering all the activities involved in work at a construction site. Terna's approach to occupational safety hinges on a system of tools that are applied to all corporate processes, including:

Clear safety policy guidelines

The importance of protecting people from physical harm is enshrined in Terna's Code of Ethics. The occupational safety policy sets out its guidelines with an explicit commitment to promoting accident prevention for all employees, including those employed by contractors.

BS OHSAS 18001:2007 certified management system

This system, which covers 100% of the Company's activities and is incorporated within the quality and environment system, is based on accurate risk assessment, with a particular focus on activities entailing electrical risk (Provisions for the Prevention of Electrical Risk).

Organisational unit responsible for safety

This unit, consisting of a central team and local managers in area offices and at construction sites, carries out inspections of workplaces and construction sites and also constantly analyses and monitors the risks arising from the Company's activities.

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The correct and complete application of the procedures is subject to inspections by Prevention and Protection Service managers, internal compliance checks for all Terna Group companies, and the external audits required for certification. Elected staff representatives are also present who are responsible for verifying the application of standards (staff health and safety representatives). As regards activities carried out by contractors, Terna conducts inspections of its own construction sites in order to verify the correct application of accident prevention regulations by the responsible health and safety officers and contractors (see also page 80).

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[Supervisory activities](#)

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An archive of health and safety legislation (national, regional and technical regulations issued by the competent bodies) is available on the Company's intranet.

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["Safety" section of the Document Centre on the Company's Intranet](#)

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All staff have access to key information regarding health and safety and innovations through various channels, including the Company's intranet and information meetings. In 2018, around 44,105 hours of training were dedicated to health and safety issues, of which over 60% was aimed at blue-collar workers (additional data about training may be found on page 153). The equipment at the Viverone Training Centre (BI) enables training to be carried out on safe working practices when climbing pylons (via the use of life-size pylons), and regarding live-line working in a controlled environment.

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[Information and training activities](#)

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The system of indicators includes the "occupational safety indicator", comprising the injury rate and the lost day rate, to which the variable remuneration of personnel in the departments concerned is linked.

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[Occupational safety performance targets](#)

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A specific organisational unit within the Engineering department tests safety materials and devices, assessing their reliability via strength tests under extreme conditions.

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[Applied research](#)

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The actions taken are designed to create an increasingly deep-rooted safety culture, based on a constant and continuous commitment, resulting also in new forms of initiative. This led to the development of a new structured and integrated project in 2018, called Zero Infortuni ("Zero Accidents"), which aims to promote a global approach to safety involving all the Company's staff, as well as people working at Terna's plants in various capacities.

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The project, launched in 2018, consists a series of different activities focusing on:

- operational safety (working methods, equipment, etc.);
- behavioural safety (training, etc.);
- the safety of personnel employed by external contractors.

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[Zero Injuries](#)

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In terms of operational safety, among other things, an effective internal prevention system has been created. This involves a new way of conducting site inspections, replacing the traditional onsite visits with a new approach centred around an assessment of the organisation and processes.

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As regards behavioural safety, a safety training programme has been created for 2019. This is based on developing behaviours through both classroom and outdoor experience. This training course, one of the most important regarding behavioural safety, is designed for operational personnel and involves the 33 Infrastructure Units and maintenance units working around the country, amounting to approximately 1,700 people.

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Procedures have been put in place for close monitoring of the safety of the personnel of external contractors, and for analysing any injuries that take place. Procedures have also been adopted in order to record the data needed to compute contractors' injury rates (see also page 80).

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## Occupational injuries

403-2 >

As in previous years, there were no fatal workplace accidents among the Group's employees in 2018. Likewise, there were no serious injuries resulting in an initial prognosis of more than 40 days. The total number of injuries amounts to 40, including 6 with a prognosis of less than 3 days. Since 12 October 2017 (art. 3, paragraph 3-bis of Law Decree 244/2016), companies have an obligation to report to INAIL any injuries resulting in an absence from work of at least one day, excluding the day of the relevant event. Previously, the obligation only applied to absences of over 3 days, excluding the day of the event.

Both the injury rate and the lost day rate have registered slight increases compared with the previous two years (further details regarding health and safety data and injury rates by gender are provide in "Key indicator tables" on page 239).

OCUPATION INJURIES SUFFERED BY TERNA EMPLOYEES - GRI-ILO DEFINITIONS (*)	2018	2017	2016
Injury rate	1.28	0.81	1.00
Lost day rate <sup>(1)</sup>	34.40	27.62	31.28
Absentee rate <sup>(2)</sup>	6,937.4	6,239.9	6,831.4
Occupational diseases rate <sup>(3)</sup>	0	0	0
Number of injuries	40	24	28
- of which serious, where the initial prognosis is more than 40 days	0	1	0
- of which fatal	0	0	0

(\*) As required by GRI protocols, the definitions adopted are those provided for by the International Labour Organization (ILO). To aid comparison with other sources, the following notes show the figures for the same indicators calculated using alternative formulae. It was not deemed necessary to further break down the data by region, because Terna only operates in Italy.

**Injury rate.** The number of injuries registered and reported to the competent social security office, divided by the number of hours worked during the year, multiplied by 200,000 (corresponding to 50 working weeks x 40 hours x 100 employees). To aid comparison with other sources, the injury rate is also calculated in accordance the UNI 7249:2007 Standard. This indicator has been calculated using a multiplication factor of 1,000,000 instead of 200,000 (thereby resulting in an injury rate 5 times the ILO injury rate). Based on this method of calculation, the injury rate is **6.4 in 2018, 4.0 in 2017 and 5.0 in 2016**.

**Lost day rate.** The ratio of days lost due to injury to the number of hours worked during the year, multiplied by 200,000. The days lost are calendar days and are counted from the day on which the injury occurs. To aid comparison with other sources, the lost day rate is also calculated in accordance the UNI 7249:2007 Standard. This indicator has been calculated using a multiplication factor of 1,000. Based on this method of calculation, the lost day rate is **0.17 in 2018, 0.14 in 2017 and 0.16 in 2016**.

**Absentee rate.** The number of days of absence due to illness, strikes, injuries and leave out of the number of days worked in the same period, multiplied by 200,000. To aid comparison with other sources, this indicator has also been calculated as a percentage of days worked. Based on this method of calculation, the absentee rate is **3.5 in 2018, 3.1 in 2017 and 3.4 in 2016**.

**Occupational diseases rate.** The total number of cases of occupational disease divided by the number of hours worked during the year, multiplied by 200,000.

<sup>(1)</sup> Calculation of the lost day rate took into account days of absence due to injuries occurring in 2017 and any cases of absence due to injuries occurring in previous years, accounting for days of absence on an accruals basis.

<sup>(2)</sup> The causes of absence taken into account do not include maternity leave, marriage leave, study leave, trade union activities, other forms of paid leave and suspensions.

<sup>(3)</sup> As in previous years, there were no cases of occupational disease among Terna's employees in 2017. Terna's operations do not entail the types of work, as defined by law, associated with the potential occurrence of occupational diseases. Terna's occupational disease rate therefore remains at zero.

OCCUPATION INJURIES SUFFERED BY CONTRACTORS AND SUB-CONTRACTORS - GRI-ILO DEFINITIONS	2018	2017	2016
Occupational injuries suffered by contractors' employees	21	9	8
- of which serious	2	1	0
- of which fatal	1	0	0
Injury rate <sup>(1)</sup>	0.99	0.42	0.41

(1) The number of injuries entailing at least one day's absence from work, divided by the number of hours worked during the year, multiplied by 200,000 (corresponding to 50 working weeks x 40 hours x 100 employees). To aid comparison with other sources, this indicator has also been calculated using a multiplication factor of 1,000,000 instead of 200,000 (thereby resulting in an injury rate 5 times the ILO injury rate). Based on this method of calculation, the injury rate is 4.9 in 2018, 2.1 in 2017 and 2.0 in 2016. The figures for 2017 and 2016 differ from those published in previous reports as the method of estimating the number of hours worked by contractors' personnel has changed (see page 80).

In addition to the information provided in the table, for the sake of completeness it should be noted that, in 2017, a contractor's employee was taken ill. The resulting fatality, even though occurring during working hours, was due to natural rather than occupational safety causes. Checks carried out also confirmed that the construction site was managed in full compliance with health and safety regulations. Contractors' health and safety protection measures are described in the section "Sustainability in the supply chain" on page 76.

In addition, in 2018, the Group began monitoring construction sites and injuries to people employed by contractors and sub-contractors carrying out work for the Group's subsidiaries overseas (see the specific section on page 47). There was a total of 45 injuries, none of which were fatal or serious, and the injury rate was 2.0.

### "HEALTH AND SAFETY" TARGET

KPIs AND TARGETS IN THE STRATEGIC PLAN 2019-2023

KPI	TARGET					
	2018	2019	2020	2021	2022	2023
SAFETY INDICATOR*	1,2	≤ 1	≤ 1	≤ 1	≤ 1	≤ 1



(\*) The Safety Indicator is the ratio between the weighted injury rate (weighting: 30%) and lost day rate (weighting: 70%) for the target year and that for the previous three-year period.

# Diversity and equal opportunities

405-1 >

Terna uses staff selection, development and compensation systems that recognise and reward merit. All forms of discrimination, starting with the selection and recruitment process, are explicitly prohibited by the Group's Code of Ethics and Guidelines (e.g. its Human Rights Policy).

405-2 >

The vast majority of employees are men, due to a traditional shortage of female labour for the more technical and operational roles. However, the presence of women is increasing, partly reflecting general labour market trends, which show that female participation is on the rise.

The percentage of women in the total workforce in Italy was 9.0% at the end of 2005 (the year in which Terna became an independent company). This figure has grown steadily since then, registering 13.5% at the end of 2018. 26.6% of hires, not taking into account blue-collar workers, were women (24.1% in 2017).

The main indicators chosen by Terna to monitor the equal treatment of men and women show that the management and development systems adopted do not disadvantage women. In particular, it should be noted that, in 2017, the proportion of women managers in relation to the total number of managers (19.7%) was once again higher than the proportion of women in relation to the total number of employees, without taking into account blue-collar workers (18.5%). Remuneration data also show moderate pay gaps for office staff and middle managers, with wider gaps for senior managers, although the number of people considered is smaller and the pay gaps are consequently more influenced by the nature of the related roles and the fact that there are few incoming and outgoing staff.

EQUAL OPPORTUNITIES FOR MEN AND WOMEN (PERCENTAGES)	2018	2017	2016
<b>Pay gap between men and women in % <sup>(1)</sup></b>			
Senior managers	78.9	79.4	70.6
Middle managers	93.9	96.6	96.4
Office staff	97.7	97.3	97.7
<b>Pay gap between men and women in % <sup>(2)</sup></b>			
Senior managers	74.3	72.1	67.3
Middle managers	95.0	99.0	98.3
Office staff	93.6	94.0	93.9

<sup>(1)</sup> The figure is based on the annual basic pay of women in the different categories as a percentage of the annual basic pay of men in the same categories. The figure has not been calculated for blue-collar workers as there are no women in this category.

<sup>(2)</sup> The figure is based on the total annual pay of women in the different categories as a percentage of the total annual pay of men in the same categories. In addition to basic pay, total pay also includes productivity bonuses, various forms of incentive and the value of benefits received during the year.

202-2 >

Almost all employees are Italian citizens (only 27 employees have foreign citizenship).

At 31 December 2018, 140 people from legally protected categories (144 in 2017 and 138 in 2016) were employed, in line with the regulations applicable to Terna. Additional indicators regarding equal opportunities may be found in the "Key indicator tables" (page 241).

